

SMALL BUSINESS TECH USAGE

by [Steve Brown](#)

Community bankers are always interested in staying on top of things their small business customers are doing. One area of particular interest is in the realm of technology, because it is quickly changing branch traffic patterns, customer access points, increasing competition and altering the underlying delivery of products and services. That is one reason we were intrigued by a national survey of small businesses (between 2 to 99 employees) conducted by AT&T. The survey found 96% of small businesses use wireless technologies in their operations and 43% say their employees use such technologies when working away from the office. This is up 80% in the past 3Ys and shows a fundamental shift in the way your small business customers conduct their own business. In addition, the survey found 67% of small businesses say they now use tablet computers (up a whopping 18% over the past year alone) and 85% use smartphones for their operations (double the usage of 5Ys ago). When asked how they use mobile devices, GPS navigation/mapping (80%) surfaced most often, followed by location-based services (44%) and social media marketing (42%). To double-check this data, we looked at another survey by market strategy company iGR. It found that 52% of small and medium sized businesses now use a tablet to help run their business. Further, the same study found the top reason small and medium sized businesses said they bought a tablet computer this year was as a substitute for a laptop (32%). These results follow the general trends outlined above and show mobility is increasingly important to your business customers. Now that we have explored the types of devices used by small business owners, we delve deeper into what exactly they are doing with these tools. Here, we find businesses are actively using tablets to reduce costs and improve productivity. Competition is fierce, so it makes sense that tools that empower the user are driving change at a fundamental level. Key areas where small businesses are leveraging the tablet include signing contracts electronically; taking notes; billing customers; scanning business cards; scanning receipts; producing visual dashboards or videos to improve sales; as a credit card reader; for internet conferencing and a host of other applications. The sky is really the limit here, but a survey by Yankee Group found the most common types of apps used on tablets by small businesses (50 or fewer people) were for email, to access a database, for corporate instant messaging and as an internet conferencing tool. As you consider how to empower your own bank personnel to get out and mingle with customers to generate more business, we suggest you start by wandering the neighborhood and looking around. At restaurants, you will find tablets in use as a way to more easily seat patrons, take orders, reduce staffing and update menus. At other businesses, you will find tablets being used to make payments as customers sign with their finger and get an emailed receipt (allowing the business to capture the email address and improve marketing). Finally, businesses are using tablets to display products and services (applicable to banks) or fill out forms or contracts on the fly. This shortens the time and reduces the effort required to close business. No matter where you are with your own bank's technology applications for your small business customers, know they are moving along nicely and see these as tools to get the business done faster, easier and with more style than ever before.

BANK NEWS

M&A

Sterling Financial (\$9.6B, WA) will buy American Heritage Holdings (\$142mm, CA) for \$6.5mm in cash. American Heritage is the holding company of Borrego Springs Bank.

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F.N.B. Corp. (\$11.6B, PA) will buy Annapolis Bancorp (\$437mm, MD) for \$51mm in stock. Annapolis Bancorp is the holding company of BankAnnapolis.

M&A Deals

SNL Financial reports the 175 bank and thrift mergers announced through 3Q have gone at a multiple of 114% of tangible book vs. 101% in 2011.

Lower NIM

The net interest margin for large U.S. banks as of 3Q has fallen to its lowest level in 10Ys and now sits at 2.8%.

Current Loan Growth

Banks that have reported so far show loan growth was 1.7% in 3Q.

Future Loan Growth

It now appears that stronger economic data could push 3Q GDP to 1.8%, so organic loan growth is likely to follow. Unfortunately, given it now appears the payroll tax cut may not be extended; the 1Q and 2Q of 2013 would likely be adjusted downward to 1.0% and 1.4%, respectively.

Unfunded Liability

Analysis by actuarial firm Milliman finds the 100 largest public pension funds have about \$1.2T trillion of unfunded liabilities (a median funding level of 67.8%). This compares to the \$900B deficit pension funds themselves reported (median funding level of 75.1%).

Less Education

A report from the Council of Graduate Schools finds the number of students enrolled in master's and doctoral graduate programs declined 2.3% for U.S. citizens in 2011 (the 2nd straight year). Reduced aid from strapped municipalities, less opportunity for a job and a higher undergraduate debt burden are all likely contributing factors.

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